



July 1, 2009

TO: Dennis Fay, Executive Director  
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RE: Legislative Update

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As unbelievable as it may sound, the Senate lifted the "call" half a dozen times on the 3 urgency bills needed as a stop-gap measure to avoid IOUs. All Dems voted "aye", including those who stayed off the original roll calls, and Senator Yee, who changed his vote from "no" to "aye". The 3 urgency measures needed as a stop-gap measure to avoid IOUs and a bigger deficit were defeated on a 25-15 vote. Only two more votes would have staved of a terrible tomorrow. And then, the clock struck midnight.

Senate President Pro Tem Steinberg adjourned the session until 10:00 today, when they will "continue work on the budget." That continued work will now include a hole that is \$3 billion bigger. IOUs will be issued to those who should be receiving checks from the State of California, for only the second time in our history.

One could argue that the \$3 billion is better dealt with than accepting cuts to education, deferrals, etc. We fear, though, that the problem will be exponentially bigger in coming days. Court decisions and new lawsuits will have an effect, even if the economy suddenly wakes up. We note bleakly that the hole is likely to be much larger than any predictions by the time a rational settlement is reached.

***Warrants in the Mail:*** Starting tomorrow, Controller John Chiang will start issuing IOUs. Assuming there is sufficient cash on hand, these IOUs will be redeemable starting October 1, 2009, with interest. The interest rate will be determined by the Pooled Money Investment Board when it meets tomorrow, but it is expected the interest rate will be 3.5%. The Controller estimates he will issue \$3.36 billion in IOUs. The IOUs will be sent to state vendors, regional centers, and tax refunds. It will be the decision of each bank on whether to honor these checks before the October 1 redemption date.

The Controller website has become daily stop for us and countless others. Here are a couple links that may be of interest:

Frequently Ask Questions about registered warrants: <http://www.sco.ca.gov/5935.html>

Who will receive a registered warrant: <http://www.sco.ca.gov/5919.html>

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**Transit Wins One:** The 3<sup>rd</sup> District Court of Appeal in Sacramento ruled in favor of the California Transit Association on all issues related to the diversion of spillover and Public Transportation Account funds to other non-public transit purposes. Shortly after the announcement the Governor's office announced it will appeal the decision.

In short, the decision finds that \$1.1 billion in transit funds in the 2007-08 budget that were transferred to debt service, home-to-school transportation, regional centers, and the general fund was illegal, and the diversions in subsequent budgets are also illegal. If the CTA prevails at the State Supreme Court, the state will be obligated to repay nearly \$4 billion in transit funds.

The entire decision can be found at:

<http://www.courtinfo.ca.gov/opinions/documents/C058479.PDF>

Additional information about the lawsuit can be found at the CTA's website.

<http://www.caltransit.org/lawsuit>

***Although the Budget remains in limbo, the following is a recap of the local government and transportation items that are pending.***

#### ***Local Government***

- Rejected the Governor's proposal to borrow \$1.982 billion from local governments through the suspension of Proposition 1A of 2004.
- Rejected the Governor's proposal to defer payment for and suspend 32 local mandates. Instead, the Committee adopted an alternative proposed by the Legislative Analyst (LAO). It does not suspend Brown Act requirements, but it does reduce the time animal shelters must hold animals prior to euthanization from six to three days. The alternative is available at:  
[http://lao.ca.gov/handouts/state\\_admin/2009/Non\\_Education\\_Mandates\\_06\\_11\\_09.pdf](http://lao.ca.gov/handouts/state_admin/2009/Non_Education_Mandates_06_11_09.pdf)
- Suspended the Williamson Act Open Space Subventions paid to local governments for a \$34.7 million savings.
- Approved May Revision placeholder trailer bill language to provide a statutory fix for the 2008-09 Redevelopment Agency shift to ERAF of \$350 million.

#### ***Transportation***

- **Transit Spill over funds:** After several members made statements that this is a bad decision that they are forced to make due the state's fiscal situation, the Conference Committee unanimously approved diverting \$336 million in additional spill over revenue to the general fund.
- **Reallocation of Transit Revenue:** In February the Legislature diverted the "base" revenue in the Public Transportation Account to home-to-school transportation. Yesterday, the Committee unanimously agreed to transfer these funds away from yellow school bus service to the general fund.

- **Local Excise Tax Revenue:** The Committee agreed to divert \$1.7 billion in gasoline excise tax revenue from the cities and counties over the next two years. The funds will be used to pay for transportation bond debt service. The proposal would take \$986 million in 2009-10 and \$750 million in 2010-11. In addition, the Committee agreed to divert \$135 million from the State Highway Account to debt service payments.
- **Prop 42 Suspension:** The Committee unanimously rejected the LAO's proposal to suspend Prop 42 payments.
- **Local Airport Grants:** The Committee agreed to suspend payment of \$4 million in local airport grants.
- **Public-Private Partnerships:** On a party line vote the Committee approved \$9 million in funding to implement the authority to enter into public-private partnerships contracts for transportation projects as provided in SB 4 XX that was enacted in February. The action include budget bill and trailer bill language that essentially provide the CTC with oversight in implementing this program.
- **Capital Outlay Staff:** The Committee unanimously approved a \$13 million reduction in the Caltrans capital outlay support staff budget. This reduction is split with 90% of the cut coming from state staff and 10% from contracted workload.
- **Prop 1B – Local Street & Road Funds:** The Committee approved appropriating the remaining \$700 million in Prop 1B bond that are dedicated to local street and road projects. The action includes budget bill language that will allow cities and counties additional time to spend these funds and prior appropriations.
- **High Speed Rail Funding:** The Committee agreed on a split vote to appropriate \$139 million in High Speed Rail bond funds to the High Speed Rail Authority to continue environmental work for the project. The action includes budget bill language that requires to the Authority to complete its updated business plan in order to receive the entire amount.

Bills	Subject	Status	Client - Position
<p><b>AB 338</b> <b>(Ma)</b> Transit village developments: infrastructure financing.</p>	<p>AB 338 would allow a city or county to create a transit village infrastructure financing district.</p> <p>For the purpose of financing transit improvements this bill would allow a local agency to establish an infrastructure financing district (IFD) without a public vote. The IFD would dedicate the incremental growth in property tax values to transit improvements. The bill would also require the local agency to dedicate 20% of the increment to low income housing projects within the district. AB 338 does not alter the existing exemption for school funds and the local agency must negotiate with and get the approval of the other taxing jurisdictions before their share, if any, is dedicated to the IFD.</p>	<p>SENATE L. GOV.</p>	<p>ACTIA-Watch CMA-Watch</p> <p>MTC-Support &amp; Seek Amendment</p>
<p><b>AB 468</b> <b>(Hayashi)</b> Public Employees' Medical and Hospital Care Act: employer contributions.</p>	<p>AB 468 would authorize ACTIA to enact a graduated vesting schedule for Public Employees' Medical and Hospital Care Act (PEMHCA) benefits that specifies no employer contribution for the first five years of service. After five years of service the employer's contribution increases to 50%, and the contribution rate increases 5% per year, with 100% employer contribution after 15 years of service.</p>	<p>SENATE APPROPS</p>	<p>ACTIA – Sponsor CMA – Support</p> <p>MTC-None</p>
<p><b>AB 497</b> <b>(Block)</b> Vehicles: high-occupancy vehicle lanes: used by physicians.</p>	<p>This bill would allow a physician to use an HOV lane regardless of occupancy requirements when traveling to an emergency call if the car displays an insignia to be developed by the Department of Motor Vehicles.</p> <p>AB 497 failed passage in the Senate Transportation &amp; Housing Committee. The vote was 3-4, with 4 members not voting. The bill was granted reconsideration.</p>	<p>SENATE T. &amp; H.</p>	<p>ACTIA – Oppose CMA – Oppose</p> <p>MTC-Oppose</p>
<p><b>AB 619</b> <b>(Blumenfeld)</b> Transportation projects: federal funds: delays.</p>	<p>This bill requires Caltrans to notify the Legislature within 30 days of determining that a project will be delayed, because of cash flow or other funding issues, if the delay places receipt of federal funds at risk.</p>	<p>SENATE T. &amp; H.</p>	<p>ACTIA – Watch CMA – Watch</p> <p>MTC-None</p>

<p><b>AB 652</b> <b>(Skinner)</b> Vehicles: vehicle length limitation.</p>	<p>AB 652 creates a pilot program for AC Transit to test the use of bike racks that accommodate three bicycles.</p> <p>While the bill is moving with unanimous support, Caltrans has requested amendments related to the work of the Route Review Committee, which must approve the use of these racks on 45 foot buses. We continue to negotiate with Caltrans on these amendments, and AB 652 will likely be amended before sending it to the Governor for consideration.</p> <p>These larger capacity racks are 4 inches longer than existing bike racks, because of this added length both driver unions and the CHP have expressed concerns regarding the turning radius of the buses. AB 652 would require AC Transit report to the Legislature on its experience and if the added length causes any safety issues.</p>	<p>SENATE THIRD READING</p>	<p>ACTIA – Support CMA – Support MTC-None</p>
<p><b>AB 672</b> <b>(Bass)</b> Transportation: bond-funded projects: letter of no prejudice.</p>	<p>This bill would establish a process for local and regional agencies to apply for a Letter of No Prejudice (LONP) for any project using Prop 1B funds.</p> <p>If approved by the entity administering the Prop 1B program, the LNOP will serve to ensure the project sponsor will be reimbursed for expending its own funds for any bond-funded component of the project. Given the uncertainty of the state’s budget and financial markets, Speaker Bass has introduced this measure to give local entities a means to deliver projects even if the bond funds are not available.</p>	<p>SENATE T. &amp; H..</p>	<p>ACTIA - Support and Seek Amendments CMA-Support MTC-Support</p>
<p><b>AB 729</b> <b>(Evans)</b> Public contracts: transit design-build contracts.</p>	<p>AB 729 continues to move along. This bill extends the sunset date, from January 1, 2011 to January 1, 2015, on local transit operators' authority to use design-build contracting. This bill moved through the Assembly with zero “No” votes.</p>	<p>SENATE APPR</p>	<p>ACTIA-Watch CMA-Watch MTC-None</p>
<p><b>AB 744</b> <b>(Torrico)</b> Transportation: toll lanes: Express Lane Network.</p>	<p>AB 744 was approved by the Assembly, and is now pending in the Senate Committee on Transportation &amp; Housing. This bill will be heard on July 7.</p> <p>AB 744 authorizes BATA to finance, construct and operate an express lane network in the Bay Area. The bill establishes a framework for creating</p>	<p>SENATE T. &amp; H.</p>	<p>ACTIA - Support In Concept CMA - Support In Concept MTC-Sponsor</p>

	<p>corridor working groups that will plan and develop HOT lanes within each corridor. The bill specifies that after debt payments have been made excess toll revenue is allocated back to each corridor in proportion to the amount of revenue generated. The excess toll revenue shall be used to fund the corridor investment plan, which may include cost effective public transit. While a Congestion Management Agency may reject a HOT lane project proposed by the working group, the ultimate decision maker on whether a HOT lane is built or not is BATA.</p>		
<p><b>AB 798</b> (Nava) California Transportation Financing Authority: toll facilities.</p>	<p>AB 798 would create the California Transportation Financing Authority with specified powers and duties relative to issuance of bonds to fund transportation projects to be backed by various revenue streams of transportation funds, and toll revenues. The purpose of the Authority is to finance the construction of new capacity or improvements for the state transportation system.</p> <p>While the current version of the bill is limited to rail and highway projects, amendments are being drafted to also include bus projects.</p>	<p>SENATE T. &amp; H.</p>	<p>ACTIA - Support and Seek Amendments CMA - Support and Seek Amendments  MTC-None</p>
<p><b>AB 1072</b> (Eng) Public Transportation Modernization, Improvement, and Service Enhancement Account.</p>	<p>AB 1072 is sponsored by the California Transit Association and would extend the application of the existing formula for distributing Prop 1B transit capital funds to future appropriations. In addition, AB 1072 was amended to make the following changes to the existing program that would enable transit operators to better manage these funds:</p> <ul style="list-style-type: none"> <li>• A project sponsor may retain its funding share and can accumulate and utilize that funding in a subsequent year.</li> <li>• Authorizes a project sponsor to loan its allocation to another project sponsor with an eligible project to ensure that all allocations are put to use in a given fiscal year.</li> <li>• Authorizes allocations to be used in a subsequent fiscal year to fund completion of projects that were approved in a previous fiscal year.</li> </ul>	<p>SENATE T. &amp; H.</p>	<p>ACTIA-Watch CMA-Watch  MTC-Support</p>

<p><b>AB 1175</b> (<b>Torlakson</b>) Toll facilities.</p>	<p>This bill adds the Antioch and Dumbarton bridges to the toll bridge seismic safety program. In addition, AB 1175 would authorize BATA to submit regional measures to increase tolls the voters.</p> <p>The regional measure must described the projects and programs to be funded, and the bill states the projects and programs shall consist of infrastructure projects, acquisition of transit vehicles, transit operating assistance, and other improvements that reduce congestion and improve travel options. The bill, however, does not specify how the expenditure plan would be developed.</p>	<p>SENATE T. &amp; H.</p>	<p>ACTIA-Support CMA-Support MTC-Sponsor</p>
<p><b>AB 1186</b> (<b>Blumenfeld</b>) Employee parking.</p>	<p>AB 1186 is intended to promote the use of the existing “parking-cash-out program.”</p> <p>This bill would require a lessor of a building located in a non-attainment area to list parking costs as a separate line item on all lease agreements. This requirement would only apply leases that provide space for 50 or more employees. Unbundling the parking cost would make it easier to offer employees cash in lieu of parking subsidies.</p>	<p>SENATE T. &amp; H.</p>	<p>ACTIA – Watch CMA – Watch MTC-None</p>
<p><b>AB 1386</b> (<b>Hayashi</b>) State highways.</p>	<p>AB 1386 amends existing law to allow for the proceeds from the sale of state owned right-of-way along the proposed Route 238 and the Route 84 corridors to be used for both state and local transportation improvements. Existing law limits the use of these funds to state facilities.</p> <p>The bill also includes language to relinquish portions of State Routes 92, 185, and 238 within the City of Hayward. Language is being incorporated into other amendments that would address the loss of state transportation funds that would result from relinquishing these highway sections.</p> <p>In addition, the bill amends both the Rt 238 and Rt 84 statutes to specify that the proceeds from the sale of property is deposited into a special account that AB 1386 creates until it is used to implement a LATIP project.</p>	<p>SENATE T. &amp; H.</p>	<p>ACTIA – Support CMA – Support MTC-None</p>

<p><b>AB 1464 (Smyth)</b> Transportation: California Bicycle Routes of State or Regional Significance Act.</p>	<p>Permits Caltrans to establish a process for identifying and promoting bicycle routes of national, state, or regional significance. This process may allow local organizations, private entities, and local or state governments to nominate routes.</p>	<p>SENATE T. &amp; H.</p>	<p>ACTIA –Watch CMA-Watch MTC-None</p>
<p><b>AB 1500 (Lieu)</b> High-occupancy lanes: single occupancy vehicles: sunset date.</p>	<p>As introduced, AB 1500 would extend the sunset date by 5 years from January 1, 2011 to January 1, 2016 on existing law that allows specified types hybrid and low emission vehicles to use an HOV lane regardless of the number of occupants.</p> <p>As approved by the Assembly Transportation Committee this bill would only extend the sunset date for electric and other alternative fueled vehicles, such as natural gas vehicles. The exemption for hybrid vehicles would sunset on January 1, 2011.</p>	<p>SENATE T. &amp; H.</p>	<p>ACTIA-Oppose CMA – Oppose MTC-Oppose</p>
<p><b>ACA 9 (Huffman)</b> Local government bonds: special taxes: voter approval.</p>	<p>This Constitutional Amendment would lower the voter threshold for local bonds and special taxes to 55% for infrastructure projects. ACA 9 was approved by the Assembly Local Government Committee and is currently pending in the Assembly Committee on Revenue &amp; Taxation.</p> <p>The hearing deadlines do not apply to Constitutional Amendments</p>	<p>ASSEMBLY SECOND READING</p>	<p>ACTIA – Support CMA – Support MTC-None</p>
<p><b>ACA 15 (Arambula)</b> Local government transportation projects: special taxes: voter approval.</p>	<p>This measure amends the Constitution to lowers the constitutional vote requirement for approval of a special tax specifically for providing funding for local transportation projects from two-thirds to a 55% majority.</p> <p>ACA 15 was also approved by the Assembly Local Government Committee, and is currently pending in the Assembly Appropriations Committee’s Suspend File.</p>	<p>ASSEMBLY INACTIVE FILE</p>	<p>ACTIA – Support CMA – Support MTC-None</p>
<p><b>SB 205 (Hancock)</b> Traffic congestion:</p>	<p>SB 205 is moving along and it is currently on the Senate Floor. This bill would allow any county congestion management agency to place on the ballot a majority vote measure to impose up to a \$10 fee on each vehicle for the</p>	<p>ASSEMBLY APPROPS</p>	<p>ACTIA – Support CMA – Sponsor</p>

<p>motor vehicle registration fees.</p>	<p>purpose of funding congestion mitigation and air quality programs</p>	<p>MTC-None</p>
<p><b>SB 391</b> <b>(Liu)</b> California Transportation Plan.</p>	<p>SB 391 requires Caltrans to update its state transportation plan by December 31, 2015 and every five years thereafter.</p> <p>This bill also requires the plan to address how the state will meet the transportation infrastructure and mobility needs of California and attain air pollution standards required by federal and state law and achieves greenhouse gas (GHG) emissions reductions needed from the transportation sector.</p>	<p>ASSEMBLY APPROPS</p> <p>ACTIA – Support CMA – Support</p> <p>MTC-None</p>
<p><b>SB 406</b> <b>(DeSaulnier)</b> Land use: environmental quality.</p>	<p>SB 406 also authorizes metropolitan planning organizations to impose up to a \$2 surcharge on each vehicle registered within the region. If the population exceeds 300,000 then all amounts above \$1 must be used for grants to cities and counties for planning and projects related to implementing a regional blueprint plan. In the Bay Area, the resolution imposing the surcharge must be adopted by both MTC and ABAG.</p> <p>This bill also makes changes to the membership and duties of the Office of Planning and Research's Planning Advisory and Assistance Council (PAAC). The PAAC currently consist of representatives from cities, counties, and regional agencies that are appointed by the Director of the Governor's Office of Planning &amp; Research. The PAAC assists OPR in the development State's Environmental Goals and Policies Report. SB 406 would significantly change the composition of the PAAC members and assign additional duties to the PAAC, such as coordinating regional blueprint plans.</p>	<p>ASSEMBLY L. GOV.</p> <p>ACTIA-Support and Seek Amendments CMA - Support if Amended</p> <p>MTC-None</p>
<p><b>SB 425</b> <b>(Simittian)</b> Personal and corporate income taxes: deductions: parking: credits: ridesharing expenses.</p>	<p>SB 425 revises the parking cash out program by essentially shifting enforcement from the Air Resources Board to the Franchise Tax Board.</p> <p>Under this bill an employer subject to the requirements of the Parking Cash-out Program may not deduct the cost of providing parking subsidies from its gross income unless it is in compliance with the cash out requirements. This bill also provides a tax credit to small businesses in an amount equal to 80</p>	<p>SENATE REV. &amp; TAX SUSPENSE FILE</p> <p>2 Yr Bill</p> <p>ACTIA-Watch CMA-Watch</p> <p>MTC-Support &amp; Seek Amendments</p>

	<p>percent of costs incurred for qualified commute reduction expenditures. These commute reduction expenditures include a wide range of activities including monthly transit passes, vanpools, carpools, private bus service and the cost of facility improvements that encourage bicycling and alternative commute methods.</p>		
<p><b>SB 535</b> <b>(Yee)</b> Vehicles: High-occupancy vehicle lanes.</p>	<p>SB 535 would create a new class of vehicle that would be eligible for stickers exempting that vehicle from HOV lane occupancy requirements. This exemption is aimed at the Chevy Volt. The conditions to receive an exemption sticker require the vehicle to be a partial zero-emission vehicle and have a fuel economy rating of 65 miles per gallon.</p>	<p>ASSEMBLY APPROPS.</p>	<p>ACTIA-Oppose CMA-Oppose MTC-Oppose</p>
<p><b>SB 575</b> <b>(Steinberg)</b> Local planning: housing element.</p>	<p>Would require all other local governments to adopt the 5th revision of the housing element 5 years after June 30, 2006, and would specify the schedule for all local governments to adopt subsequent revisions of the housing element after the 5th revision, as specified. The bill would authorize the Department of Housing and Community Development to adjust the deadlines for adoption of the 6th and subsequent revisions of the housing element so that the deadlines occur 18 months after adoption of the applicable regional transportation plan, provided that the planning period, as defined, for the housing element is not less than 90 months and not more than 102 months. By adding to the duties of specified local governments, this bill would impose a state-mandated local program. This bill contains other related provisions and other existing laws. (A-05/04/2009)</p>	<p>ASSEMBLY L. GOV.</p>	<p>ACTIA-Watch CMA-Watch MTC-None</p>
<p><b>SB 728</b> <b>(Lowenthal)</b> Air pollution: parking cash-out program.</p>	<p>SB 728 is another bill that attempts to add teeth to the Parking Cash-out Program. This bill would authorize the Air Resources Board to impose a civil penalty for violating this program, as well as authorize cities, counties, and air districts to adopt a local ordinance and penalty to ensure employers comply with the program.</p> <p>Under the Parking Cash-out Program any employer with 50 or more employees that are located in a non-attainment area must provide a parking cash out program if the employer provides a parking subsidy to employees.</p>	<p>ASSEMBLY APPROPS.</p>	<p>ACTIA-Watch CMA – Watch MTC-Support</p>